



The Commonwealth of Massachusetts

DEPARTMENT OF PUBLIC UTILITIES

MEMORANDUM

TO: Service List in Investigation into Rate Structures that will Promote Efficient Deployment of Demand Resources, D.P.U. 07-50
Via Email and First Class Mail

FROM: Laura C. Bickel, Hearing Officer
Shaella McNulty Collins, Hearing Officer

RE: Panel Hearings - Dates, Topics and Panelists

DATE: October 5, 2007

On August 9, 2007, by Hearing Officer Memorandum, the Department of Public Utilities ("Department") stated that it anticipated holding hearings during the weeks of October 22, 2007 and October 29, 2007. The Department also solicited requests to participate in panel hearings. The Department will hold these panel hearings on **October 23, October 25, October 29, October 30, November 1, and November 2, 2007** at the Division of Insurance Hearing Room, Fifth Floor, One South Station, Boston, MA.

The Department recognizes the importance of engaging interested persons in a discussion of how to meet the challenge of better aligning utility incentives with important demand resource, price mitigation, environmental, and other policy objectives, while upholding the Department's ratemaking principles and statutory obligations. The thoughtful analysis provided by the commenters has advanced the discussion of whether and how current ratemaking practices may be changed, adjusted, or supplemented to meet this challenge, and the Department seeks to continue this discussion at the panel hearings.

All commenters who expressed an interest in participating at panel hearings have been assigned to at least one panel in the schedule set forth below.¹ In order to allow for all such

¹ Associated Industries of Massachusetts ("AIM"); Attorney General of the Commonwealth ("Attorney General"); Bay State Gas Company ("Bay State"); The Berkshire Gas Company ("Berkshire"); Cape Light Compact ("Compact"); Concentric
(continued...)

requests, provide for a review of the many key issues in this case, and complete the hearings in a reasonable amount of time, only the Department will directly question panelists. However, the Department will allow commenters to submit written questions on topics that they believe represent important areas of inquiry, and that should be considered by the Department in developing questions for panelists. Commenters are not required to submit questions, and while the Department will consider the recommendations of commenters, the questions to be asked at the hearings are subject to the discretion of the Department. Commenters who wish to submit questions or topics for consideration by the Department must do so in writing by **Monday, October 15, 2007**, for Days 1 and 2 and by **Monday, October 22, 2007**, for Days 3, 4 and 5. In addition, the Department requests that commenters arrange the questions by topic, and by morning and afternoon panel, as set forth below.

Having reviewed the timely filed comments and requests to participate in panel hearings, the Department presents the schedule of topics and commenters below. A chart summarizing the panelists by day is attached hereto as Attachment A.

¹ (...continued)
Energy Advisors, Inc. ("Concentric"); Converge; Conservation Law Foundation ("CLF"); CURRENT Group, LLC ("CURRENT"); Division of Energy Resources ("DOER"); Environmental Entrepreneurs ("E2"); Environmental Northeast ("ENE"); Fitchburg Gas & Electric Company ("Fitchburg"); Greater Boston Real Estate Board ("GBREB"); Intech 21, Inc. ("Intech 21"); Lawrence Kaufmann, Pacific Economics Group ("Kaufmann"); Low-Income Weatherization and Fuel Assistance Program Network ("Network"); National Grid and KeySpan Gas Company ("National Grid"); NSTAR Electric Company and NSTAR Gas Company ("NSTAR"); Retail Energy Supply Association ("RESA"); The Energy Consortium by Synapse ("TEC"); Wal-Mart Stores East ("Wal-Mart"); Western Massachusetts Electric Company ("WMECo"); and Western Massachusetts Industrial Group ("WMIG").

DAY 1: Impact of Decoupling on Demand Resources (October 23, 2007)

Purpose: The purpose of this panel is to explore the link between decoupling and the aggressive deployment of demand resources, including (i) energy efficiency (ratepayer-funded programs; merchant-provided services; and building codes/appliance standards); (ii) distributed generation (small and large scale deployment); (iii) demand response; (iv) dynamic pricing; and (v) smart grid technology.

Subtopics:

- (1) Will decoupling lead to additional deployment of demand resources?
- (2) What types of demand resources would be deployed under a decoupling approach that would not be deployed under current regulatory policies?
- (3) Is decoupling alone sufficient to support the aggressive deployment of demand resources, or are other policy mechanisms (e.g., shareholder incentives) also necessary/appropriate?

Time: 10:00 a.m. - 1:00 p.m. 2:00 p.m. - 5:00 p.m.

<u>Panelists:</u>	<ol style="list-style-type: none"> 1. Comverge 2. CLF 3. DOER 4. National Grid 5. Network 6. WMECo 7. WMIG 	<ol style="list-style-type: none"> 1. AIM 2. Attorney General 3. Bay State 4. CURRENT 5. E2 6. Fitchburg 7. NSTAR
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DAY 2: Alternative Ratemaking Approaches (October 25, 2007)

Purpose: The purpose of this panel is to explore the advantages, disadvantages, and mechanics of alternatives to the Department's proposed decoupling approach.

Subtopics: How successful would each of the following ratemaking approaches be in

- (i) eliminating the financial disincentive that electric and gas companies currently face regarding the aggressive deployment of demand resources in their service territories; (ii) establishing an appropriate balance between the risks borne by customers and those borne by company shareholders; and
- (iii) achieving administrative simplicity and transparency?

- (a) "Partial" decoupling, in which changes in sales unrelated to the deployment of demand resources (e.g., changes related to weather, economic factors) would not be included in the decoupling mechanism;
- (b) "Targeted" decoupling, in which only changes in sales directly resulting from the company programs would be included in the decoupling mechanism;
- (c) Shareholder incentives, in which an approach similar to that currently used in energy efficiency programs would be applied to other demand resources; and
- (d) Redesign of base rates, in which a greater portion of revenue would be collected through fixed and demand-based rates.

Time: 10:00 a.m. - 1:00 p.m.

2:00 p.m. - 5:00 p.m.

Panelists:

- 1. AIM
- 2. Compact
- 3. Concentric
- 4. CLF
- 5. DOER
- 6. GBREB
- 7. National Grid
- 8. Network

- 1. Attorney General
- 2. Berkshire
- 3. E2
- 4. Intech 21
- 5. NSTAR
- 6. RESA
- 7. Wal-Mart

DAY 3: Distribution Service Cost Drivers (October 29, 2007)

Purpose: The purpose of this panel is to explore the factors that cause electric and gas distribution service costs to change over time.

Subtopics: Electric and gas distribution service cost drivers; the relationship between these cost drivers and potential rate designs and recovery mechanisms; revenue per customer adjustments; performance-based regulation mechanisms (e.g., inflation adjustments, productivity adjustments); differences between gas and electric customer cost drivers; and different cost drivers between customer classes (especially large versus small customers).

Time: 10:00 a.m. - 1:00 p.m. 2:00 p.m. - 5:00 p.m.

<u>Panelists:</u>	1. Attorney General	1. Concentric
	2. DOER	2. ENE
	3. E2	3. Fitchburg
	4. Kaufmann	4. Network
	5. National Grid	5. TEC
	6. WMIG	

DAY 4: Mechanics of Decoupling (October 30, 2007)

Purpose: The purpose of this panel is to explore issues associated with the mechanics of implementing a decoupling approach.

Subtopics: Timing and content of proceedings to implement decoupling, and considerations related to existing company rate structures and commitments; use and timing of reconciliations; the need to modify existing incentives for energy efficiency; and considerations related to cost allocation and rate design.

Time: 10:00 a.m. - 1:00 p.m. 2:00 p.m. - 5:00 p.m.

<u>Panelists:</u>	1. AIM	1. Berkshire
	2. Attorney General	2. ENE
	3. Bay State	3. Network
	4. Concentric	4. NSTAR
	5. CLF	5. WMECo
	6. National Grid	6. WMIG

DAY 5: Impacts of Decoupling on Shareholders and Ratepayers (November 1, 2007)

Purpose: The purpose of this panel is to explore the potential effect of decoupling on the risks facing shareholders, and the potential impacts on customers' rates and bills.

Subtopics: Relative magnitude of potential changes in financial risk associated with different ratemaking structures; allocation of risk between ratepayers and the utility; implications for the utility's rate of return; potential impacts on customers' rates and bills under different industry growth scenarios; and potential impacts on rates and bills under alternative ratemaking approaches.

Time: 10:00 a.m. - 1:00 p.m. 2:00 p.m. - 5:00 p.m.

<u>Panelists:</u>	<ol style="list-style-type: none"> 1. Attorney General 2. Concentric 3. National Grid 4. NSTAR 5. RESA 6. TEC 	Reserved for Continuation of Panels as needed.
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DAY 6: Closing Statements and Continuation of Panels As Needed (November 2, 2007)

Purpose: The Department will allow each panelist the opportunity to present a closing statement of no more than 5 minutes. This limit will be strictly enforced.

Time: 10:00 a.m. - 1:00 p.m. 2:00 p.m. - 5:00 p.m.

<u>Panelists:</u>	Panelists may choose, but are not required, to present closing statements.	Reserved for Closing Statements or Continuation of Panels as needed.
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Panelists should notify the Hearing Officers immediately to identify who will represent the panelist on each panel, each day.

Following these hearings, commenters may file reply comments. The deadline for filing reply comments is **Monday, December 3, 2007**. After reviewing the reply comments, the Department will determine the appropriate next steps for this proceeding.

One original and 17 copies of all documents should be filed with Mary L. Cottrell, Secretary, Department of Public Utilities, One South Station - 2nd Floor, Boston, Massachusetts 02110. In addition, all documents filed in this docket should be submitted to the Department in electronic format.² Documents will be available for public inspection at the Department's offices during business hours. Also, copies of documents that are filed electronically will be available on the Department's website.

² All documents should also be submitted to the Department in electronic format using one of the following methods: (1) by e-mail attachment to dpu.efiling@state.ma.us, Shaela.Collins@state.ma.us and Laura.Bickel@state.ma.us; or (2) on a 3.5" disk or CD-ROM. The text of the e-mail, disk label, or CD-ROM must specify: (1) the docket number of the proceeding (D.P.U. 07-50); (2) the name of the person or company submitting the filing; and (3) a brief descriptive title of the document. The electronic filing should also include the name, title, and telephone number of a person to contact in the event of questions about the filing. Text responses should be created in either Corel WordPerfect, Microsoft Word, or Adobe Acrobat (version 7 or higher). Data or spreadsheet responses should be compatible with Microsoft Excel (version 2000). The Department strongly encourages filers to avoid submitting scanned files but will accept them for posting when an alternative version does not exist in electronic format. In addition, if the petitioner, applicant, or any other participant has already filed a document relevant to this proceeding, such as the initial petition, application, or filing, without providing an electronic copy of that document, such entity is directed to do so in compliance with the above electronic filing requirements as soon as practicable. All documents submitted in electronic format will be posted on the Department's website: <http://www.mass.gov/dpu>.

ATTACHMENT A
Chart of Panels and Panelists for Panel Hearings
D.P.U. 07-50

	DAY 1: Impact of Decoupling on Demand Resources	DAY 2: Alternative Ratemaking Approaches	DAY 3: Distribution Service Cost Drivers	DAY 4: Mechanics of Decoupling	DAY 5: Impacts of Decoupling on Shareholders and Ratepayers	DAY 6: Closing Statements
AM	Comverge CLF DOER National Grid Network WMECo WMIG	AIM Compact Concentric CLF DOER GBREB National Grid Network	Attorney General DOER E2 Kaufmann National Grid WMIG	AIM Attorney General Bay State Concentric CLF National Grid	Attorney General Concentric National Grid NSTAR RESA TEC	Panelists may choose, but are not required, to present closing statements.
PM	AIM Attorney General Bay State CURRENT E2 Fitchburg NSTAR	Attorney General Berkshire E2 Intech 21 NSTAR RESA Wal-Mart	Concentric ENE Fitchburg Network TEC	Berkshire ENE Network NSTAR WMECo WMIG	Continuation of Panels as Needed	Continuation of Panels as Needed